

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
The HELP II Program
EXECUTIVE SUMMARY

<p>Applicant: Southern Indian Health Council, Inc. (“SIHC”) 4058 Willows Road Alpine, California 92064 San Diego County</p> <p>Project Site: 36910 Church Road/Indian Reservation, Campo, CA 91906</p> <p>Facility Type: Indian Clinic</p>	<p>Amount Requested: \$400,000</p> <p>Requested Loan Term: 15 years</p> <p>Date Requested: February 27, 2003</p> <p>Resolution Number: HII-142</p>																					
<p>Use of Loan Proceeds: Loan proceeds will be used to expand the new facility in Campo, which is expected to break ground in six weeks.</p>																						
<p>Type of Issue: HELP II Loan</p> <p>Prior HELP II Borrower: No</p>																						
<p>Financial Overview: Historically, SIHC has operated on a profitable basis, but it experienced a loss in fiscal year 2002. The organization has no long-term debt, a strong current ratio, and net assets of almost \$2.7 million.</p>																						
<p>Sources of Revenue: (FYE 01-31-02)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Amount</u></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Percent</u></th> </tr> </thead> <tbody> <tr> <td>Medical, Pharmacy and Dental</td> <td style="text-align: right;">\$1,564,210</td> <td style="text-align: right;">46%</td> </tr> <tr> <td>Reimbursement from Programs</td> <td style="text-align: right;">1,529,922</td> <td style="text-align: right;">45%</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">123,016</td> <td style="text-align: right;">3%</td> </tr> <tr> <td>Transfers</td> <td style="text-align: right;">104,592</td> <td style="text-align: right;">3%</td> </tr> <tr> <td>Interest</td> <td style="text-align: right; border-bottom: 1px solid black;">97,549</td> <td style="text-align: right; border-bottom: 1px solid black;">3%</td> </tr> <tr> <td style="text-align: right;">Total support and revenue</td> <td style="text-align: right; border-bottom: 3px double black;"><u>\$3,419,289</u></td> <td style="text-align: right; border-bottom: 3px double black;"><u>100%</u></td> </tr> </tbody> </table>			<u>Amount</u>	<u>Percent</u>	Medical, Pharmacy and Dental	\$1,564,210	46%	Reimbursement from Programs	1,529,922	45%	Other	123,016	3%	Transfers	104,592	3%	Interest	97,549	3%	Total support and revenue	<u>\$3,419,289</u>	<u>100%</u>
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<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>																						
<p>Staff Recommendation: Staff recommends the Authority approve a resolution for a HELP II Loan for Southern Indian Health Council, Inc. in an amount not to exceed \$400,000 for a term of 15 years subject to the standard HELP II loan provisions.</p>																						

STAFF SUMMARY AND RECOMMENDATION

Southern Indian Health Council, Inc. ("SIHC")

February 27, 2003

Resolution Number: HII-142

- I. PURPOSE OF FINANCING:** SIHC intends to construct a new clinic in the remote Campo area. The original planned facility size was 9,200 sq. ft. The Help II loan will enable SIHC to expand the clinic by an additional 3,000 sq. ft. for a total of 12,200 sq. ft.

Construction.....**\$2,098,950**

SIHC has operated a small satellite clinic in Campo for seven years. It is in a remote southeastern part of San Diego County about 1.5 hours driving time from the SIHC Main Health Complex in Alpine. During the past few years, population growth in the surrounding community has overburdened not only the Alpine clinic, but the satellite facility as well. The current Campo clinic has inadequate space to deliver proper health care services as well as being outdated and unable to meet standard building requirements.

A new and modernized clinic would add greatly to the responsiveness of the Medical and Dental services. It also allows additional services to be permanently offered through this site. Finally, a new facility will be much more cost effective while ensuring that equitable health and social services are being delivered to all Native Americans in the SIHC Consortium.

Approximately 19% of the total cost of the construction project will be funded with the proposed HELP II loan. Additional project funds will be provided by a \$1.2 million Federal Indian Health Service grant (Small Ambulatory Program (SAP)), with the applicant supplying the balance. The expected completion date of the project is December 2003.

Financing Costs..... 6,000
 Authority Closing Fee 5,000
 Estimated Closing Costs..... 1,000
Total..... **\$2,104,950**

Financing structure:

- 15-year loan term, fully amortized.
- 180 equal monthly payments of approximately \$2,762 (total annual payments of approximately \$33,144).
- Total interest payments of approximately \$97,219.
- Maximum loan to value ratio not to exceed 95%.
- Debt service reserve fund of \$40,000 as long as the loan remains outstanding.
- Corporate gross revenue pledge.
- Verification that Guaranteed Maximum Price Construction Contract is in place.

FINANCIAL STATEMENTS AND ANALYSIS:

SOUTHERN INDIAN HEALTH COUNCIL, INC. STATEMENT OF ACTIVITIES

	Period Ended	For the Year Ended January 31,		
	Sept. 30,	2002	2001	2000
Public Support and Revenue	(Unaudited)			
Medical, pharmacy and dental	\$ 1,125,976	\$ 1,564,210	\$ 1,592,870	\$ 1,165,204
Interest	37,115	97,549	164,622	132,152
Donations	-	-	502	3,094
Reimb. from Programs	1,234,493	1,529,922	1,516,753	1,487,837
Transfers	-	104,592	-	-
Other	94,387	123,016	149,960	146,978
Total Revenue	2,491,971	3,419,289	3,424,707	2,935,265
Expenses:				
Program Services	1,025,055	1,021,060	1,165,683	1,039,587
Transfers	-	1,970,798	330,620	317,045
Personnel and Benefits	679,351	1,005,309	957,432	941,613
Materials and Supplies	96,911	152,565	48,728	53,554
Travel and Training	32,216	83,491	100,894	95,138
Consultant & Contractual	58,133	111,669	155,366	189,983
Equipment	-	-	-	10,040
Telephone	40,953	66,106	57,489	50,590
Utilities	22,539	35,421	49,411	42,823
Other	14,792	75,361	147,433	104,096
Total Expenses	1,969,950	4,521,780	3,013,056	2,844,469
Increase In Unrestricted Net Assets	522,021	(1,102,491)	411,651	90,796
Net Assets Beginning of Year	2,681,056	3,783,547	3,371,896	3,281,100
Net Assets, End Of Year	\$ 3,203,077	\$ 2,681,056	\$ 3,783,547	\$ 3,371,896

SOUTHERN INDIAN HEALTH COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION

	As of Sept. 30, 2002 (Unaudited)	As of January 31,		
	2002	2002	2001	2000
ASSETS				
Current Assets:				
Cash & Cash Equivalents	\$ 279,239	\$ 301,691	\$ 1,115,064	\$ 913,223
Due from restricted fund	234,640	297,219	534,509	376,327
Accounts receivable-Trade	662,724	482,996	454,849	333,348
Accounts receivable-Other	483,773	237,318	139,800	131,689
Total Current Assets	1,660,376	1,319,224	2,244,222	1,754,587
Property, plant and equipment, net	1,625,602	1,521,939	1,625,603	1,716,059
Total Assets	\$ 3,285,978	\$ 2,841,163	\$ 3,869,825	\$ 3,470,646
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 40,358	\$ 117,564	\$ 43,735	\$ 69,278
Accrued Annual Leave	28,529	28,529	28,529	28,529
Total Current Liabilities	68,887	146,093	72,264	97,807
NET ASSETS				
Reserve for Tribal Courts	14,014	14,014	14,014	943
Unrestricted	3,203,077	2,681,056	3,783,547	3,371,896
Total Unrestricted	3,217,091	2,695,070	3,797,561	3,372,839
 TOTAL LIABILITIES & NET ASSETS	 \$ 3,285,978	 \$ 2,841,163	 \$ 3,869,825	 \$ 3,470,646
Financial Ratios:				
	Proforma (a) FYE 2003			
Debt Service Coverage (x)	19.20	N/A	N/A	N/A
Debt/Unrestricted Net Assets (x)	0.12	0.00	0.00	0.00
Margin (%)	21%	-32%	12%	3%
Current Ratio (x)		9.03	31.06	17.94

(a) Recalculates FYE 2003 unaudited results to include the impact of this proposed financing.

Financial Discussion:

Historically, SIHC has operated on a profitable basis, but it experienced a loss in fiscal year 2002.

SIHC operates a non-profit organization on a fund accounting basis. Its primary sources of revenues are derived from Medical, Pharmacy, and Dental, which provided 46% of the total revenues in fiscal year 2002. The following is a percentage breakdown of this revenue by services: Medical services provided 61%, Dental services provided 34% and Pharmacy provided 5%. Program revenues supplied 45% in the current year and is the second highest source of total revenues.

The income statement reflects increases in Transfers, Personnel and Benefits, and Materials and Supplies costs in fiscal year 2002. This can be attributed primarily to startup costs associated to one of its programs, the Youth Alcohol, and Drug Treatment Center (YRTC). In fiscal year 2002, the YRTC unexpectedly became a 100% occupied operation much sooner than anticipated. As a result, SIHC was required to use contracted personnel, which costs up to three times more than staff already on board. In fiscal year 2003, the cost of the YRTC's contracted staff declined significantly due to the hiring of additional staff and the one-time expense increases experienced in 2002 were eliminated. This anomaly should not occur in the future because federal support is expected to be 100% in upcoming years.

The eight-month interim results are positive with an increase of over \$522,000 in unrestricted net assets. Once the new Campo clinic is completed, it is expected to generate significant additional revenues. However, projections are not available at this time.

The organization has no long-term debt, a strong current ratio, and net assets of almost \$2.7 million.

SIHC maintains a strong current ratio, which is over 9x for the current fiscal year. Because the organization has no existing long-term debt, debt service coverage is excellent. This proposed \$400,000 Help II loan would become SIHC's only outstanding debt, resulting in a proforma ratio of 19.2x. Further, the proforma debt-to-restricted-net-assets ratio is minimal at .12x. The organization should be able to comfortably meet this proposed debt obligation.

II. UTILIZATION STATISTICS:

Type of Service	Calendar Year Ending Dec. 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
	# Visits	# Visits	# Visits
Medical	16,733	15,693	14,122
Dental	<u>8,933</u>	<u>7,290</u>	<u>6,926</u>
Grand Total	25,666	22,983	21,048

IV. ORGANIZATION:

Background: SIHC was formally established in November 1982, as a non-profit corporation for the purpose of providing comprehensive health care services to the residents of southern San Diego County, CA. It is a consortium of seven Federally recognized Indian Tribes including Barona, Cuyapaipe, Campo, Jamul, La Posta, Manzanita, and Viejas. SIHC is controlled by a Board of Directors composed of an elected member from each of the seven Tribes of the Consortium.

Originally, SIHC offered medical and dental services only. Over the years, the organization has added several programs including Indian Child Services, Domestic Violence Prevention, and Mental Health. In addition, SIHC has a large Community Outreach Department, which includes a Seniors' Program (Title VI), HIV/AIDS Education and Prevention, and Outreach Nursing. SIHC also has a Substance Abuse Prevention Department and an Environmental Services Office.

Licenses: Southern Indian Health Council, Inc. is accredited through the Accreditation Association for Ambulatory Health Care, Inc. (AAAHC). Licensure is exempt through the Department of Health Services by its definition as an "Indian Clinic", which means any clinic conducted, maintained, or operated by a federally recognized Indian Tribe or tribal organization, as defined in Section 101025 of the Health and Safety Code [formerly Section 450] or 25 U.S.C. Section 1601, and which is located on land recognized as tribal land by the federal government.

Competition: SIHC is the only ambulatory outpatient health provider in the area. More intensified cases are referred to Grossmont Hospital, which is approximately 70 miles away.

V. OUTSTANDING DEBT:

SIHC has no outstanding long-term debt.

VI. SECTION 15438.5 OF THE ACT:

Savings will allow SIHC to maintain or expand services for its clients at little or no cost.

VII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution for a HELP II Loan for Southern Indian Health Council, Inc. in an amount not to exceed \$400,000 for a term of 15 years subject to the standard HELP II loan provisions.